

Dividend Distribution Policy

01-01-POL-003

November 2023

Version 2.0

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Policies Manual Summary Profile and Approval

Strategic Business Unit (SBU) Corporate Affairs
Department Corporate Affairs
Policies Name Policy – Distribution Dividend Policy

Revision History				
Revision Number	Issue Date	Amendment Description	Date Effective	Next Revision Date
1.0	November 2018	To adopt a new Dividend Distribution Policy in compliance and in accordance with the QFMA Corporate Governance Code for Companies and Legal Entities Listed on the Main Market issued on 15 May 2017.		
2	November 2022	Change of Board Policy & Strategy Committee to Board Executive Committee.		

Approval				
Authorised Approver	Date	Signature(s)		
Group Chief Executive Officer				
Board Executive Committee	27/11/2023	 M. Mandani		
Board of Directors	11/12/2023	abdulla al thani  M. Mandani	 Jabor Al Thani	 Mohammed Almosallam  Tariq Al Malki  ijalothman M. Mandani

The Head of Corporate Affairs shall formally review this Policy for its completeness, adequacy, and alignment to business imperatives (current and future) on a yearly basis or on a more frequent basis if deemed necessary. Kindly refer to Section “3 – Maintenance of the Policy” for additional details.

I. Introduction

1. Objective of the Policy

Commercial Bank has adopted the dividend distribution policy in compliance with the provisions of the QFMA Corporate Governance Code, Article 36, which requires Commercial Bank to establish a clearly defined dividend distribution policy in a manner that may realise the interests of the Bank and shareholders.

2. Scope

This Policy is applicable to the dividends distribution to be made by the Commercial Bank in accordance with the Bank's Articles of Association and in pursuant with the relevant regulations.

3. Maintenance of the Policy

The Head of Corporate Affairs shall formally review the Policy for its completeness, adequacy, and alignment to business imperatives (current and future) on a yearly basis or on a more frequent basis if deemed necessary. All amendments, additions or deletions of policy shall be properly documented and authorised/approved prior to implementation. (Refer to Board Delegation of Authority (01-01-DOA-001) for DOA revision approval process.)

All subsequent amendments shall be approved through the below:

- Group Chief Executive Officer (GCEO)
- Board Executive Committee (BEC)
- Board of Directors (BOD or 'the Board')

4. Revision Procedures

Upon updating the Policy, the following activities and revisions shall take place:

1. The date shall be updated through the use of the Month and Year on the cover page, revision history page and footer of the document.
2. The version number shall be updated on the cover page, revision history page and the footer of the document. The version number increases by one with every update.
3. The revision details are highlighted in the "Amendments Description" table found on the revision history page.
4. The file name shall be updated in accordance to the latest date and version number.
5. The Policy is distributed to the relevant stakeholders and their acknowledgement is obtained using the form provided in Appendix B.
6. The non-editable soft copy of the Policy is maintained by Policies and Procedures Unit for internal distribution. The custody of the signed hardcopy document shall be held by the Bank's Corporate Affairs Department.

5. Audit

Application of policies is reviewed on an annual basis by the Corporate Affairs Department, and compliance thereof shall be regularly reviewed by the Bank's Internal Audit function. In cases where non-compliance is identified, the Internal Auditor shall review the reasons for such non-compliance and report them as required. Depending on the conclusions of this review, the need for a revision to the Policy may be identified.

6. Regulatory Compliance

The Policy is prepared taking into consideration the laws and regulations in the State of Qatar, which includes QCB Law and Regulation of Financial Institutions issued by virtue of Law No. 13 of 2012; Qatar Central Bank (QCB) Instructions to Banks; QCB Corporate Governance Instructions issued under Circular No. 25/2022; QFMA Governance Code for Companies & Legal entities Listed on the Main Market issued by the QFMA's Board pursuant to Decision No. (5) of 2016, published in the Official Gazette Issue No. (6) Dated 15 May 2017 (the QFMA Corporate Governance Code); Qatar Exchange (QSE) Regulations, and Commercial Companies Law (CCL) No. 11 of 2015 as amended by Law No. 08 of 2021. The Policy has also been developed in line with the Bank's Articles of Association (AOA).

In the event that a conflict exists between this Policies Manual and regulatory pronouncements, the latter shall take precedence. Amendments to this Policy shall then be required to ensure compliance. Moreover, the Bank shall ensure that it is in compliance with applicable laws and regulations of the countries that it operates in. If any conflicts arise, the Corporate Affairs SBU should be consulted.

7. Reference to Related Documents

This Policies Manual shall be in line with:

1. QCB Corporate Governance Instructions under Circular No. 68/2015 and Circular No. 25/2022
2. QFMA Corporate Governance Code for listed Companies and legal Entities on the Main Market
3. Commercial Companies Law
4. QSE Regulations
5. Commercial Bank's Articles of Association
6. 01-01-DOA-002 Corporate Affairs Delegation of Authority (DOA)
7. 01-01-CTR-001 Board Charter
8. 01-01-CTR-002 Corporate Governance Charter

II. Policy

Commercial Bank Principles of Dividend Distribution

1. Shareholders shall be informed of the Bank's dividend distribution policy contained in this Policy during the General Assembly and reference shall be made to it in the Board report.
2. Commercial Bank's principles of dividend distribution are set by the Bank's Articles of Association (Articles 60 to 65) and in line with the Commercial Companies Law:
 - 2.1 10% of the Bank's net profits shall be deducted annually and appropriated for the legal reserve account (AOA 60).
 - 2.1.1 The General Assembly may suspend such deduction if the reserve reaches 100% of the paid capital. Should the legal reserve become less than the said percentage, the deduction shall be resumed until such reserve reaches that percentage (AOA 60).
 - 2.1.2 The legal reserve may not be distributed to the shareholders, however it shall be permissible to use what exceeds the paid capital to distribute dividends to the shareholders up to 5% in the years during which the Bank's profits do not allow the provision of such limit, pursuant to the provisions of the Law of Qatar Central Bank and the regulations issued in this regard (AOA 60).
 - 2.2 The General Assembly may, upon the recommendation of the Board of Directors, deduct part of the Bank's net profits for an optional reserve account, to be used for the purposes determined by the General Assembly (AOA 61).
 - 2.3 Without prejudice to the Bank's ability to fulfil its obligations to third parties, after deducting the legal and optional reserves, 5% of the Bank's net profits shall be distributed to shareholders (AOA 64).
 - 2.4 After the deduction of depreciation and reserves and the dividend distributed in accordance with 2.3 above, a percentage not exceeding 5% of the Bank's net profits shall be allocated to the remuneration of the Bank's Board members (AOA 65).
 - 2.5 The remainder of profits shall be distributed as additional dividend to shareholders, or shall be brought forward, upon recommendation of the Board of Directors to the next year, or shall be allocated for setting up an extraordinary reserve fund or sinking fund (AOA 65).
 - 2.6 Shareholders shall be entitled to their share of profits once a resolution is issued by the General Assembly in the place and time set by the Board as per the rules and regulations applied by Qatar Financial Markets Authority and the financial market where the shares are listed (AOA 64).

2.7 The dividends approved by the General Assembly for distribution, whether they be in cash or bonus shares shall be given, as of right, to share owners who are listed in the register kept at the depository at the end of trading session the day on which the General Assembly is convened.

2.8 The Bank shall build a cash reserve to support bonus shares to shareholders (if any) taking into consideration the dividend payout ratio.

Dividend Distribution Guidelines

3. Commercial Bank's management shall consider the following factors before presenting a dividend distribution plan to the Board:
 - 3.1 Cash flow constraints: It is not obligatory on Commercial Bank to distribute full profits to shareholders. Commercial Bank shall keep sufficient cash for its operational requirements before dividend distribution.
 - 3.2 Lenders' constraints: Commercial Bank shall satisfy the financial requirement of lenders, if any.
 - 3.3 Legal constraints: Any legal reserves required under the law shall be reserved before distributing the dividend.
 - 3.4 Future Investment Plan: Investment plans of Commercial Bank shall be considered and sufficient cash shall be retained before dividend distribution unless it has been decided to fund the investment through additional share capital or bank financing.
 - 3.5 Capital adequacy: Commercial Bank's CET1, Tier 1 and total Capital Adequacy Ratio shall be considered. Commercial Bank shall ensure adequate profit retention to meet its target levels of capital adequacy over time.
4. After taking into consideration all the parameters in 3 above, other relevant external and internal factors, Commercial Bank's Group Chief Executive Officer and Chief Financial Officer shall make recommendations to the Bank's Board of Directors for the Board's consideration and approval.
5. The Board of Directors will present its recommendation on the dividend distribution at the Bank's General Assembly for shareholders' approval.
6. The dividend shall be declared as a dividend for each share held.
7. After being approved by shareholders at the General Assembly, Commercial Bank shall make appropriate disclosures as required under QFMA, QCB, and QSE regulations and CCL.

Abbreviation	Meaning
General Assembly	Commercial Bank's annual general meeting convened pursuant to applicable regulations and law
AOA	Articles of Association
CCL	Commercial Companies Law
BOD or the Board	Board of Directors
QCB	Qatar Central Bank
QSE	Qatar Stock Exchange
QFMA	Qatar Financial Markets Authority
The Bank	Commercial Bank